

Message Text

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ACTION EUR-12

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FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 5482

UNCLAS THE HAGUE 1408

FOR MANGER, EUR/WE

E.O. 11652: N/A

TAGS: EGEN

SUBJ: LETTER TO SEC ON CONSUMER PROTECTION ON LIFE
INSURANCE

REF: HAGUE 919

1. REGRET THAT TRANSLATING ENCLOSURE SENT WITH LETTER FROM BAUDIUN TO MOSTOFF IS BEYOND EMBASSY'S CAPABILITY BECAUSE OF ABUNDANCE OF TECHNICAL TERMINOLOGY. NEVERTHELESS, WE CAN PROVIDE GIST, WHICH WE BELIEVE WILL BE SUFFICIENT FOR SEC TO DETERMINE WHETHER FULL PROFESSIONAL TRANSLATION IS WARRANTED.

2. DOCUMENT IN QUESTION IS COPY OF LETTER FROM GOVERNMENT TO PARLIAMENT REPORTING ON GOVERNMENT STUDY ON QUESTION OF DISTRIBUTION TO LIFE INSURANCE POLICYHOLDERS OF BENEFITS WHICH ACCRUE TO INSURANCE COMPANIES FROM HIGH MARKET INTEREST RATES. STUDY HAD ITS GENESIS IN PARLIAMENTARY QUESTIONS POSED TO GOIN IN 1970. RATHER THAN PRESCRIBING SOLUTION, DOCUMENT EXPLORES PARAMETERS OF THE PROBLEM AND ELEMENTS WHICH SHOULD GUIDE SETTING OF PREMIUMS AND SHARING OF INCOME FROM POINT OF VIEW OF THE CONSUMER'S INTEREST.

3. STUDY DIFFERENTIATES BETWEEN GROUP AND INDIVIDUAL LIFE INSURANCE. CONCERNING THE LATTER, IT ARGUES INTER ALIA THAT CONSUMERS OUGHT TO BE PROVIDED MORE INFORMATION ON UNCLASSIFIED

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COMPANY POLICIES WITH RESPECT TO DISTRIBUTION OF PROFITS; THAT

PRICING TAKE INTO ACCOUNT THIS FACTOR AS WELL; IN SHORT, THAT MARKET BE MADE MORE COMPETITIVE THROUGH PROVIDING MORE INFORMATION TO THE CONSUMER ON COSTS/BENEFITS AND THAT PROFIT-SHARING BE MADE AN ASPECT OF COMPETITION POLICY. GROUP LIFE INSURANCE (WHICH THE REPORT TREATS IN LESS DEPTH THAN INDIVIDUAL INSURANCE) IS SEEN AS POSING PROBLEM OF DIFFERENT NATURE. FOR THE CONSUMER, PROBLEM IS HOW TO PRESERVE REAL VALUE OF HIS INVESTMENT WHEN (BECAUSE OF, SAY, CHANGE OF OCCUPATION) HE RETAINS TITLE TO A POLICY ON WHICH HE IS PAYING NO ADDITIONAL PREMIUMS, IS ACCRUING NO INTEREST NOR RECEIVING ANY DIVIDENDS, AND WHOSE REAL VALUE IS ERODING THROUGH EFFECT OF INFLATION.

GOULD

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